MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2022/2023 (TERM 1D 2215)

DMG5034 – MANAGEMENT ACCOUNTING

(All Sections/Groups)

21 FEBRUARY 2023
9.00 a.m – 11.00 a.m
(2 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of **5** pages with **4** questions.
2. Attempt **ALL** questions. The distribution of the marks for each question is given.
3. Please write all your answers in the Answer Booklet provided.

QUESTION 1

PART A

Juta Production Sdn. Bhd applies overhead on the basis of direct labour hours. At the beginning of year 2022, the company estimates annual overhead costs will be RM280,000 and the direct labour will work 40,000 hours.

During the year, the company worked on the three jobs. The actual usage of the direct materials and direct labour were recorded as follows:

	Direct materials		Direct labour	
Jobs	Usage	Costs	Usage	Costs
JM042	5,200 kilograms	RM54,600	12,000 hours	RM108,000
JM043	4,000 kilograms	RM35,000	15,000 hours	RM135,000
JM044	2,800 kilograms	RM30,800	11,000 hours	RM100,000
		RM120,400		RM343,000

At the end of the year 2022, the company completed all three jobs and sold them on account for RM850,000. The company has calculated the total overhead incurred during the year was RM270,000.

Required

(a) Compute the manufacturing overhead rate for the year. (2 marks)

(b) Compute the manufacturing overhead applied during the year. Show workings on the amount allocated to each job. (7 marks)

(c) Prepare the journal entries to record the assignment of costs to:

(i) Work in Process inventory. (3 marks)
(ii) Finished Goods inventory. (1 mark)
(iii) Cost of goods sold. (1 mark)

(d) Compute the gross profit that the company earned from selling the jobs. (2 marks)

(e) Compute the amount of over- or underapplied overhead. (3 marks)

PART B

Satria Company uses activity-based costing to assign overhead to its products. The company has identified three activities in its manufacturing process, which are machine setup, machining and inspections.
The budgeted data for each activity cost pool is provided below for the year 2023.

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Activity cost pools	Estimated overhead	Estimated use of cost drivers per activity
Machine setup	RM700,000	2,000 number of setups
Machining	RM1,200,000	30,000 machine hours
Inspections	RM450,000	1,500 number of inspections

Required

Calculate the overhead rate for each activity. (6 marks)

(Total: 25 marks)

QUESTION 2

PART A

Sekayu Company manufactures and sells bookshelves. The officer is having difficulties in classifying the costs based on the cost behaviour. Selected costs are given below;

No.	Cost
1.	Wood and glass used in a bookshelf.
2.	Labour cost to assemble a bookshelf.
3.	Depreciation of the machines used to produce bookshelf.
4.	Factory rental.
5.	Commission paid to the salespersons.
6.	Advertising expense.

Required

(a) Based on the cost behaviour analysis, explain the **THREE (3)** behaviour of costs in responding to the changes in the level of business activity. (6 marks)

(b) Classify the above cost as either variable or fixed. (3 marks)

PART B

Bigg Company has estimated the profit for the coming year, 2023 as follows:

	Total	Per unit
Sales	RM240,000	RM20
Less: Variable costs	(168,000)	(14)
Contribution margin	72,000	RM6
Less: Fixed costs	(45,000)	
Net income	RM27,000	

Continued...

Required

(a) Compute the contribution margin ratio. (2 marks)

(b) Compute the break-even point in units. (2 marks)

(c) If the company targeted the net income to be 15 percent of the sales revenue, compute the required sales the company need to achieve using the contribution margin approach. Prepare a CVP Income Statement to prove your answer. *Show your workings.*

(7 marks)

(d) Using the original data, compute the margin of safety in sales amount and ratio. *Show your workings.* (5 marks)

(Total: 25 marks)

QUESTION 3

Vista Industries is preparing the budgets for its second quarter of the year 2023. They have completed for sales and production budgets and have come out with the following information:

Month	April	May	June	July
Required production units	6,000	8,000	10,000	9,000

Relevant data pertaining to its direct materials, direct labour and manufacturing overhead budgets are as follows:

Direct materials
Four kilograms of raw materials at a cost of RM7 per kilogram are required to make each unit of finished goods. Management desires to maintain the raw materials inventories at 30% of the next month's production requirements. Assume the beginning inventory as at 1 April 2023 is 8,200 kilograms.

Direct labour
Each unit requires two hours of direct labour. The wage rate is expected to be RM18 per hour. The company plans to increase the wage to RM20 per hour starting June 2023.

Manufacturing overhead
Variable overhead costs are RM15 per direct labour hour. Fixed overhead costs per month totalled is RM20,000.

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Required

(a) Prepare the direct material purchases budget for the second quarter of year 2023. *Show both monthly and total (quarterly) figures.* (12 marks)

(b) Prepare the direct labour budget for the second quarter of year 2023. *Show both monthly and total (quarterly) figures.* (6 marks)

(c) Prepare the manufacturing overhead budget for the second quarter of year 2023. *Show both monthly and total (quarterly) figures.* (7 marks)

(Total: 25 marks)

QUESTION 4

PART A

Kinta Company produces a cleaning detergent known as Nowee. The direct materials and direct labour standards for one unit of Nowee are given below:

	Standard quantity or hours	Standard price or rate	Standard cost
Direct materials	2.5 kilograms	RM5 per kilogram	RM12.50
Direct labour	0.3 hours	RM13 per hour	RM3.90

Actual cost and production information in February are as follows:

(1) Material purchased during the month amounted to RM62,400 for 13,000 kilograms.
(2) All the material purchased was used to produce 5,000 units of Nowee.
(3) Direct labour usage of 1,560 hours at a total cost of RM21,840.

Required

(a) Compute the total, price and quantity variance for direct materials. (9 marks)

(b) Compute the total, price and quantity variance for direct labour. (9 marks)

PART B

Bornew Industries manufactures auto stirring mugs and sells it for RM20 each. The cost per unit for auto stirring mug is:

Variable costs	RM12
Fixed costs	RM5

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The company receives two special orders from two customers as below:

Customer A offers to buy 1,500 units of auto stirring mugs at RM14 each. Acceptance of this offer will result in additional of RM1.20 per unit for the delivery costs.

Customer B offers to buy 1,500 units of auto stirring mugs at RM14 each. The customer requested to add its company logo to the mugs. Acceptance of this offer requires Bornew to buy an additional tool to print the logo, which costs RM3,500, and this tool would have no use once the special order is completed.

Required

If Bornew have enough capacity to produce the additional orders, should Bornew accept the orders from both customers? Show the incremental analysis to support your answer.
(7 marks)

(Total: 25 marks)

End of Paper